

BUREAU OF LAND MANAGEMENT
FEDERAL HELIUM-PROGRAM PUBLIC MEETING

JANUARY 10, 2001

CROWN PLAZA-GALLERIA
Houston, Texas
6:30-8:00 P.M.

WESTHEIMER B ROOM

1 MODERATOR: Good evening.

2 Can you all hear me all right back there?

3 COMMENT: You bet.

4 MODERATOR: We can go ahead and get
5 started. I know the weather has been a little bad out
6 there, the rain or whatever.

7 I have been told that the traffic is a little
8 bit worse than usual. But, we had decided to wait a
9 little bit to allow some people a little bit more time
10 to come in.

11 My name is Tim Spisak. I am the Field Office
12 Manager for the Amarillo Field Office Helium Operations,
13 part of the Bureau of Land Management.
14 The Bureau of Land Management is not well known
15 within the state of Texas, and that's not the reason why
16 we are doing these meetings, but we are in the process
17 of developing regulations for the Federal Helium
18 Program.

19 And while the front end of that process may be
20 something a little bit different than the public is used
21 to prior to developing regulations, we are holding these
22 listening meetings.

23 This is the second of five. We had one in
24 Amarillo on Monday. Then, of course tonight's. Next
25 week we are going to be in Portland, Oregon; week after

1 that in Denver or Aurora, Colorado and Washington D. C.

2 And what we are trying to do is get your
3 thoughts and ideas prior to getting into the regulation
4 development stage.

5 And my understanding is that once we get the
6 comments completed -- and a closing date for this
7 initial comment period is March 26th of this year. Once
8 we get those comments, we'll formulate our regulations.

9 And then, they will be put out in the proposed stage,
10 and then, a comment period at that point before they go
11 final.

12 So, we are trying to get as much comments about
13 what you feel about and how it might impact your
14 business or your situation up front so we will have a
15 little better process.

16 I do want to emphasize this is a listening
17 session. I am going to go through probably about a ten
18 to fifteen-minute presentation about the Federal Helium
19 Program and what we do up there in Amarillo, and how it
20 impacts the whole helium industry.

21 And at that point, we would like to give you an
22 opportunity to make a statement. It may be that most of
23 you are here to listen yourselves. And we'll want you
24 to ask any question that you have.

25 Generally speaking, if the question has to do

1 with operations or a matter of fact, there is no problem
2 in us answering, but if it has to do with the policy
3 direction, well, it may be hard for us to answer that
4 because that's what we are doing now.

5 We are in the policy formation stage and we
6 don't want to give the impression, certainly, that we
7 have already made up our mind; we haven't, because
8 that's what we are trying to do, is get your thoughts
9 before we get into the formal development stage.

10 (Approaching Slide Projector).

11 MODERATOR: Well, it worked before.

12 (First Slide Presented).

13 In the Federal Helium Program, the authorities
14 are based on some legislation that was passed in 1925,
15 many years ago. It has been a program that has been
16 within the Federal government for many years, but the
17 main acts that have the current guidance of how we do
18 our job now is the Helium Act of 1960, which authorized
19 the start of the conservation helium program and that's
20 where the government purchased crude helium from private
21 refiners, private crude helium extractors, mainly in the
22 Mid-Continent area. We are talking about Kansas,
23 Oklahoma Panhandle and Texas Panhandle; purchased that
24 crude helium from them and put it into storage.
25 That act was amended in 1996 with the Helium

1 Privatization Act, and that act directed us to get out
2 of the helium refining business, which we have since
3 done.

4 It also got us into the crude helium sales
5 business, if you will, where private helium refiners
6 that sell major requirements of refined helium to
7 Federal agencies and are contractors such as NASA,
8 Department of Defense, are required to purchase an
9 equivalent amount of crude helium from the government.

10 And that was a big part of the '96 act as well as a
11 stockpile sell down, which we will get into a little bit
12 later.

13 Also, the government regulations at this time
14 are 43 CFR part 16, which is more of a general
15 regulation, and then, part 3195, which are the
16 regulations that we developed in 1998 that deals
17 specifically with the In Kind Sales.

18 (Next Slide Presented).

19 However, we do more now than just the
20 helium-related functions. We do have several more
21 traditional BLM functions; the inspection and
22 enforcement of land within the new territory that is
23 responsible -- At Amarillo, we are responsible for the
24 Kansas, Oklahoma Panhandle and West Texas.

25 We were part of the Bureau of Mines until 1995.

1 Once we came under the Bureau of Land Management and
2 were eventually put under the New Mexico jurisdiction,
3 where our Home Office is here, the Tulsa Field Office
4 had jurisdiction for all three states, but with the
5 addition of the field office here, it was thought that
6 would be an efficient way to handle the inspection
7 enforcement so we redistricted the Tulsa field office
8 and the Amarillo Field Office to where the Amarillo
9 field office has this area that you see right there.

10 (Next Slide Presented).

11 Most of the oil submineral ownership with
12 Federal interest is in Southwestern Kansas, and the
13 Oklahoma Panhandle.

14 As you can see, Amarillo is closely situated to
15 be able to handle that type of activity, where, in
16 Tulsa, the people had to travel a lot further. So, the
17 Tulsa field office handles this portion, and we have
18 this other area up here. (Indicating).

19 We also have some land management functions.
20 The helium operations had acquired the Cross Bar
21 property where it owns the surface property, and we were
22 originally thinking about potentially disposing of that
23 property.

24 But, with the Bureau of Land Management there
25 is very little public lands in Texas, and it was our

1 thought that we would go ahead and manage this property
2 for recreational purposes; hunting.

3 There are some archeological sites on there,
4 and there was a number of issues there we were wanting
5 to go ahead and manage like any other Bureau of Land
6 Management office would be.

7 Now the I&E function and this Land Management
8 function all would be based on BLM regulations already
9 in place, and we are not really here to talk about those
10 regulations tonight, but to give you a total picture of
11 what we do, I thought I would go ahead over those
12 quickly to give you a general idea of what we do up
13 there in Amarillo.

14 (Next Slide Presented).

15 MODERATOR: The first main helium
16 function that we do is the Storage and Transmission.

17 (Next Slide Presented).

18 MODERATOR: We have a partially
19 depleted natural gas reservoir just about fifteen miles
20 Northwest of Amarillo.

21 It contains about thirty billion cubic feet of
22 government owned crude helium. That's that helium that
23 we purchased during the conservation program during the
24 '60s and early '70s.

25 Also, we have also under contract storage about

1 4.5 billion cubic feet of privately owned helium.

2 This is surrounded by about two hundred billion
3 feet of natural gas, which helps maintain the crude
4 helium stockpile in the center of the field.

5 (Next Slide Presented).

6 MODERATOR: Another part of our
7 Storage and Transmission Program is a crude helium
8 pipeline.

9 It connects the gas field here near Amarillo
10 with a government-owned 425 mile pipeline system that
11 ends in Bush Dome, Kansas, and connects up the triangles
12 which represent privately owned helium refiners with the
13 blue circles which represent privately owned crude
14 helium extractors.

15 The boot shape here is the helium gas field
16 that some of you may be familiar with.

17 This is the gas field that has about .5% helium
18 in the natural gas, and some of these original plants
19 here, here, here, and here and here, were the ones that
20 were put in or crude extraction facilities were built in
21 the early sixties where the helium was extracted from
22 the natural gas stream and the government purchased it.

23 (Next Slide Presented).

24 MODERATOR: We are also getting a
25 little bit longer in the life of the field where we are

1 having to start compressing the gas coming out of the
2 field.

3 (Next Slide Presented).

4 MODERATOR: This is a picture of an
5 actual compressor that is just coming on-line now to
6 help boost the gas coming out of the field, and we are
7 expecting to put in a coal box unit, a crude helium
8 enrichment unit in the coming years. But, these are
9 some of the things that we are doing.

10 (Next Slide Presented).

11 MODERATOR: This is an area that is
12 fairly well defined, and we would like to have some of
13 your comments on any suggestions for improving the
14 processes that we currently use for storing private
15 helium at the storage facility.

16 But, we don't really expect a lot of regulatory
17 push in this particular area.

18 (Next Slide Presented).

19 MODERATOR: One that we do expect a
20 little bit more activity in our second helium function
21 is the crude helium sales.

22 The Helium Privatization Act, again, authorized
23 the In Kind Sales, which we have been doing for the last
24 couple of years now.

25 This graph shows the total U. S. produced

1 helium over the last 15 years. The blue is the
2 privately supplied U. S. refined helium; the green
3 represents the government's amount of refined helium
4 sales, which stopped in 1998, and was replaced with the
5 In Kind Sales.

6 The refined In Kind Sales are roughly equal at
7 this point. But, we still have 30 billion cubic feet of
8 helium in the reserve and the Privatization Act
9 stipulated that no later than 2005, that the government
10 would start offering for sale about one tenth of the
11 helium reserve from 2005 to 2015.

12 It also stipulates a minimum price, which is
13 about double the current market price for crude helium,
14 roughly.

15 And so, right now, the market price for the
16 crude helium that we put on the market is quite a bit
17 higher, and until the market catches up with that, there
18 may be a disconnect between the amount of sales and what
19 the market requires.

20 But, that's where the language that says offer
21 for sale. We can offer for sale, but, it doesn't mean
22 that the market is necessarily going to buy it.

23 But, this is an area where we need your input
24 on to how the best way to match up the market and the
25 amount of helium that we are going to be offering for

1 sale. So, we want to have, you know, as much of your
2 comments on this as possible.

3 (Next Slide Presented).

4 MODERATOR: Our next area that we
5 take care of in the helium areas are Helium Evaluation &
6 Gas Analysis.

7 Part of what we do is track where helium
8 reserves are throughout the United States, and to a
9 lesser extent the world, and we keep up with whether the
10 helium is being depleted or the reserves are being
11 depleted, or, if they are still in a nondepleted status.

12 And generally we have pretty good luck with
13 getting yearly or annual production data. But, we
14 also, in this area, in the past have kept up with helium
15 sales activity, and we typically have done that about
16 every five years. We would ask voluntarily for
17 information from the private refiners and distributors.

18 I would say it is fair to say that data isn't
19 always the best data, because we don't get a large
20 response from the industry. And we would like to find
21 out if there is better ways to determine and better ways
22 to get to that helium sales data, and we would like your
23 comments on that part of it.

24 Also, we would like to know if there is better
25 ways to confirm and determine the location of amounts of

1 helium resources outside the United States.

2 This will give us a better picture since about
3 one quarter to one-third of the U. S. produced helium is
4 exported across the world.

5 And so, it will give the industry a little
6 better idea of what is happening and how we should
7 manage our gas fields. So, that is something we would
8 like to know a little bit more about.

9 Part of this helium evaluation of gas analysis
10 task is our gas analysis.

11 (Next Slide Presented).

12 MODERATOR: We have a database of
13 over 20,000 gas samples or analyses that date back to
14 1917. And this continues to grow. Part of this or most
15 of the samples are on our field survey where we go out
16 and get samples from various gas fields, the new and
17 continuing ones that come on-line, and we do analysis
18 for helium for it.

19 This helps us keep up with where the helium is
20 and where it isn't.

21 The analysis program also supports our storage
22 operations, both our gas fields and the custody transfer
23 points along the pipeline, as we saw in the earlier
24 picture. They do a significant number of samples for
25 those.

1 One of the questions we would like to look at
2 is could members of the oil and gas industry send
3 duplicate gas stream samples to the BLM laboratory if
4 requested?

5 To expand that database, is that something that
6 would cause problems or would there be some agreement in
7 that area? So, we would like some comments in there.

8 (Next Slide Presented).

9 MODERATOR: The fourth and last
10 major task that we take on in the helium program is
11 tracking the helium produced on Federal lands.

12 In our office, we determine the Helium
13 Ownership Rights as well as Collect & Audit Fee Sales &
14 Royalties on Federal leases where the helium is produced
15 and extracted and sold.

16 It is our job to ensure that whatever fees or
17 royalties are owed are collected and paid.

18 Right here, is Section 8 of a standard BLM oil
19 and gas lease. It is the clause that maintains the
20 Federal government's right to exclude helium from the
21 lease. It also talks about that leases or sales
22 contracts that come off of that, would include this
23 particular provision.

24 And often times we find that that's been
25 overlooked. And so, we need to come up with some better

ways to track that. And frankly, this is the second area that we want some major comments in this comment period.

Some of the things we would like to know or have more information on:

Is it reasonable to allow an 8% loss of helium from the well head to the point of sale before seeking compensation?

Can we use a similar method to the one used to protect oil and gas, to protect helium from drainage?

I am basically reading these questions from the handout that probably most of you got.

Should we require a separate bond to cover helium production or should we allow operators to transfer oil and gas bonds to private bond coverage for helium?

One more that I want to highlight.

What incentive should we establish to encourage helium production from gas streams in close proximity to extraction plants in areas with low BTU gas content?

(Next Slide Presented).

MODERATOR: This map shows that the helium industry is not just in the mid-continent area.

There is also privately owned refineries in Southwestern Wyoming and Eastern Utah and Eastern

1 Colorado.

2 There is also some helium reserves down in this
3 area that aren't producing yet, but there is always
4 that possibility here in New Mexico and Arizona.

5 So, it is not just a local issue; it is fairly
6 regional. And so, there is impact across, you know, a
7 large area.

8 And just to summarize again, we have the
9 traditional BLM functions, the I&E and the land
10 management focus.

11 We have got the four main helium-related
12 functions; the Storage & Transmission, Crude Helium
13 Sales, the Evaluation Analysis, and our helium produced
14 on Federal lands.

15 At this point, I would like to see if anybody
16 is interested in making a statement, and if not, we can
17 proceed to any questions that you might have.

18 (No response).

19 MODERATOR: We are not skipping by
20 that, but, just for your information, we do have that
21 formal comment period going through March 26th, and if
22 you are not -- if you are not comfortable making
23 comments here, you could always E-mail them in to the
24 WOcomment@blm.gov, or hand carry or mail them to these
25 particular addresses.

1 I will leave this up for the balance of the
2 presentation if you want to write it down.
3 (Indicating).

4 If you are interested in more information, you
5 can go to www.nm.blm.gov and click on the field offices,
6 and Amarillo will be listed there, or, you can E-Mail
7 any questions to [fed_helium_
8 regs@nm.blm.gov](mailto:fed_helium_reg@nm.blm.gov).

9 Like I said, I will leave that for you to write
10 that down, if necessary.

11 Any questions or anything?

12 Yes, sir.

13 COMMENT: Yes, I have a
14 question.

15 You mentioned selling the regulation indicates
16 that you could sell up to 10% of the 30 million that is
17 in Cliffside, which would be about -- 30 billion which
18 would be about three billion a year, which is -- I mean,
19 equivalent to the U. S. market.

20 MODERATOR: That's pretty close.

21 COMMENT: Yeah.

22 MODERATOR: And what it says is we
23 will offer for sale.

24 COMMENT: Yeah.

25 And in the last couple of years, the value of

1 helium has actually dropped.

2 MODERATOR: Right.

3 COMMENT: So, for us to get
4 to two times the current price by 2005 probably isn't
5 very likely.

6 MODERATOR: Uh-huh.

7 COMMENT: And for the market
8 to double in size between now and 2005 also probably
9 isn't very likely.

10 So, if we follow that along, then chances are
11 you are not going to sell very much helium in 2005.

12 MODERATOR: That's plausible.

13 COMMENT: It's possible.

14 MODERATOR: Yeah.

15 COMMENT: Would you care to
16 speculate if a couple of years go by and virtually no
17 helium was sold, what would happen?

18 MODERATOR: I love to speculate and
19 it's one of my favorite things to do. But, I really
20 can't.

21 At this point, if I start to speculate, that
22 gives the impression that that's what I think is going
23 to happen, and as my capacity here as, you know, a
24 representative of BLM, that that's the BLM position.

25 What I can say is that you have the price that

1 is the requirement in the legislation that says how we
2 calculate the price is basically the amount of helium
3 debt, which we didn't talk about, but it is about \$1.4
4 billion, and that's the principal and interest that was
5 generated from the purchase of the helium during the
6 '60s and '70s divided by the amount of helium in the
7 reserve adjusted by the CPI from December of '95. Okay?
8 That's the minimum price that we have to offer that for
9 sale.

10 Now, right now it's \$50.00 per mcf. And in
11 four more years, CPI, I know it's conceivable, it will
12 be \$52.00, \$53.00, \$55.00.

13 If the market is not ready for that, it is not
14 going to sell.

15 Well, potentially we would offer that for sale
16 and if it doesn't sell, at least at that minimum price,
17 we have fulfilled the requirement of the legislation.

18 But, that isn't to say that over that ten
19 years, at some point, the market will catch up and will
20 start to purchase that amount.

21 Maybe it will want more than that amount or
22 maybe that will just prolong the period past 2015, that
23 helium will be available to sell for sale.

24 COMMENT: Okay.

25 MODERATOR: Did I dance around

1 without speculating too much?

2 COMMENT: Thank you.

3 MODERATOR: Any others?

4 Yes?

5 COMMENT: I would just make
6 an observation that no one would believe we had \$10.00
7 natural gas last year at this time.

8 And so, I think saying that crude helium
9 couldn't be that price is an assumption that could be
10 challenged.

11 COMMENT: You have
12 got a buyer, too.
13 I thought you had all the helium you needed.

14 MODERATOR: I will make a statement
15 and then, I will get to your question.
16 This year, on Christmas Day, was the first time
17 that we have produced out of the field one billion cubic
18 feet of helium in a year.

19 And in past years, it has always been, you
20 know, there has been some storage and there has been
21 some production, but, we have had a net production of
22 one billion cubic feet before the year was out.
23 And that's the first time we have ever done
24 that.

25 COMMENT: How much of that is

1 to meet the government use?

2 MODERATOR: We have had sales last
3 year of about a little over two hundred million cubic
4 feet.

5 COMMENT: So, 20%?

6 MODERATOR: I guess that's right.
7 Of that one billion, right.

8 COMMENT: Right. Okay.

9 MODERATOR: Yes, yes.
10 Yes, sir.

11 COMMENT: Are your proposed
12 regulations going to take into account production of
13 helium from native American lands since you control
14 those leases in effect?

15 MODERATOR: I see a head shaking
16 back there, "no."

17 RESPONSE: That is not the
18 intent, because the tribes pretty much regulate their
19 own helium.

20 But, anything can happen.

21 MODERATOR: Yes.

22 COMMENT: We are dealing with
23 Federal helium.

24 Is the gas on the tribal lands considered
25 Federal gas?

1 MODERATOR: I see "yes" and "no."

2 (Indicating audience).

3 RESPONSE: It is not at this point.

4 MODERATOR: Yeah.

5 RESPONSE: But, like I said, anything
6 can happen.

7 Once we get into the regulatory process, in and
8 of itself, the tribes could very well come forward and
9 say, "We want to be included in that."

10 And should they do that, they will be included.

11 COMMENT: Retroactive?

12 RESPONSE: No, probably not.

13 COMMENT: Okay.

14 RESPONSE: But, I don't know that.

15 MODERATOR: Yes, sir.

16 COMMENT: I have a question.

17 You are talking about adding some compression
18 and an upgrader, I understand, facility.

19 MODERATOR: Yes.

20 COMMENT: And I assume that's
21 an additional expenditure.

22 Now, does that add to the \$1.4 billion you
23 mentioned earlier, and potentially make the price even
24 higher?

25 MODERATOR: No.

1 Actually, over the last probably ten years or
2 so our operations have generated more income than our
3 costs.

4 We have been paying back to the Treasury about
5 ten million dollars a year.

6 Ten million against \$1.4 billion, though,
7 doesn't make a big dent.

8 What we have been trying to do with our cost
9 structure is to put our revenues where the costs are.

10 We do collect monies from the private companies
11 for our storage operations, and all of our private
12 storage costs are completely covered.

13 Our In Kind -- the cost to store the In Kind
14 helium, that price will be adjusted upward slightly to
15 pay for the storage costs but, it is less than fifty
16 cents an mcf. It is a fairly small percentage.

17 But, what our goal has been is to put the costs
18 where they are generated and assess them in that
19 fashion.

20 We operate out of non appropriated funds. And
21 we don't -- which means that we don't have an
22 appropriation signed off by Congress every year.

23 Our budget gets, quote, unquote, approved, but
24 it all funds out of the helium fund, which has been in
25 place since the 1960 legislation.

1 And all of our revenues go into that
2 account. And right now, it's between thirty and forty
3 million dollars.

4 Once we get to a point where all -- When
5 we closed down in 198, and we closed our refinery, we
6 are in the process of disposing of that now. We got rid of
7 most of the personal property, which is considered
8 anything from a table to a compressor.

9 We have gotten rid of that stuff that the
10 remaining organization no longer needs. And we are in
11 the process of cleaning up. And that's where there is
12 going to be some costs involved with that clean-up
13 portion of that.

14 Once that is completed and those
15 properties are disposed of, then, all the remaining money
16 in the helium fund will get moved over and paid against
17 the debt except for \$2 million, and then, it is expected
18 that our revenues will outpace our costs, which they
19 should and they have.

20 And once we start selling the crude
21 helium from the reserve, that's where a significant
22 amount of money will be generated.

23 And if we sold one tenth, we are talking
24 about a hundred million dollars a year or more that
25 would be generated from the crude reserve sale down.

1 Now, if the market is such that the market is
2 not ready for it, then, that big chunk of money coming
3 from the reserves won't show up yet, but through our In
4 Kind Sales or our keeping up with the fee sales and
5 royalties generated from the helium produced on Federal
6 lands, that all goes into the helium fund to fund our
7 operations.

8 But our budget is a very small amount; it -is
9 about five million dollars a year and we generate about
10 fifteen to twenty million dollars a year.

11 COMMENT: Well, then, let me
12 make sure I understand.

13 How will the compression and potential upgrader
14 be paid for, then?

15 MODERATOR: Well, the compression
16 right now is actually we are working with a partnership
17 with the private helium refiners. Those are the
18 beneficiaries of the compression.

19 And they have bought and paid for and installed
20 the compressor. And then, we are operating it.

21 COMMENT: Right.

22 MODERATOR: And as part of the
23 management of the field.

24 When the crude helium enrichment unit comes on,
25 it is very likely that it will be more of a government

1 expense because it is for managing the government
2 reserve.

3 It looks like, at this point, the costs will be
4 shared somewhat, but that cost will be generated or
5 borne by the revenues generated from the operation of
6 the field.

7 COMMENT: Okay.

8 MODERATOR: Anything else?

9 RESPONSE: Can I make a
10 suggestion?

11 MODERATOR: Yes.

12 RESPONSE: Since your team has come
13 up with -- everyone -- I think just about everyone -
14 was able to pick these up that have the list of
15 questions that the helium regulation team has kind of
16 kicked around, potential questions that they see trying
17 to come up with answers in their development of the
18 regulations.

19 Maybe we could kind of throw it out to people,
20 that they just take a look at even some of those
21 questions while we have them here, and see if there is
22 anything that kind of sticks out in their mind that they
23 might be willing to comment on tonight or encouraged to
24 comment on later in case they haven't had time to really
25 absorb what they picked up when they came in.

1 MODERATOR: I think that's a good
2 idea.

3 Certainly, I will tell you in our meeting in
4 Amarillo -- maybe I shouldn't do this -- but probably
5 what generated the most conversation was the question
6 about:

7 "Is it reasonable to allow an 8% loss of helium
8 from the wellhead to the point of sale before seeking
9 compensation?"

10 And that is an idea. It's a thought. it
11 doesn't mean that's what we are planning on doing.

12 I think the whole thought is to stimulate some
13 thinking and get some ideas.

14 I think something else I could say about the
15 Amarillo meeting, we didn't have a lot of comments there
16 either, but I think part of it is -- I don't know -- I
17 am fairly new at the regulation game; I was involved
18 with the development of the In Kind regulations.

19 But, I think the public is generally used to
20 having the government develop the regulations, and then,
21 go out for comment, and what we are trying to do is get
22 that on the front end, and try and maybe avoid some of
23 the problems further on down during that regulatory
24 development.

25 COMMENT: We can comment on

1 the 8% loss.

2 MODERATOR: Okay.

3 COMMENT: I think if it is

4 less than that, the gatherer or processor ought to get a

5 bonus.

6 (Laughter).

7 MODERATOR: Well ...

8 COMMENT: In all seriousness,

9 from the well.

10 COMMENT: Do you want to make

11 a motion?

12 COMMENT: Yes.

13 1 move.

14 (Laughter).

15 COMMENT: Second it.

16 COMMENT: No.

17 In all seriousness, by the gas moving from the

18 wellhead to the plant, and you consider fuel, and before

19 the helium is removed, of course, any of the gas that is

20 consumed will still have helium in it, and it will be

21 lost to the atmosphere.

22 It gets to the plant and a lot of plants use

23 gas for their fuel. However, there would probably be -

24 the helium would probably be extracted before that

25 process plus the helium plants, themselves, are maybe

1 95, 96, 97% efficient, so, there is 5, 4, 3% right there
2 plus the fuel, plus there is line loss in the field.

3 If it was less than 8, I would be surprised.

4

5 COMMENT: Oh, I think it would be much
6 higher than that, because there is more and more
7 compression.

8 COMMENT: Yes.

9 I would be surprised if it was less than that
10 as opposed to being concerned if it was over 8.

11 MODERATOR: I think that's a real
12 good thought.

13 Certainly, when you look at the 1996 -- Excuse
14 me -- 1960 Act, I mean, its whole bent was to conserve
15 helium to encourage that part. And I think that's still
16 part of the program. That hasn't gone away.

17 MODERATOR: Yes, -sir.

18 COMMENT: But, in that 19 -
19 in the contracts that were made in the 1960s, the bureau
20 asked that -- I mean they requested -- they required
21 that the plants, extraction plants, have losses not to
22 exceed 5%, and that did happen.

23 I mean, but, all of those plants were the five
24 plants that were selected out of maybe fifteen that were
25 potential in 1960, were at the -- were on pipelines

1 already. So there had been distribution losses
2 preceding that.

3 And they were the -- the premium locations,
4 they were the best of the lot, biggest supplies and higher
5 helium concentrations.

6 So, it wasn't too surprising that they did
7 better than the 95% extraction.

8 But, really, what was surprising was the
9 extremely high efficiency of one of the plants, that the
10 biggest of the lot, that "Liberal," I believe, that their
11 extraction efficiency was up around 99%.

12 MODERATOR: All right.

13 COMMENT: But, it was an absolutely
14 huge plant with very a big capital investment. So, they put a
15 lot of effort into precisely doing that, and the costs went way
16 way down.

17 MODERATOR: I wasn't here during
18 that time, of course, but from what I have been told, that
19 plant had the highest crude helium percent, too.

20 COMMENT: No.

21 Lowest.

22 MODERATOR: The national plant?

23 COMMENT: Yes.

24 COMMENT: Yes. The national was
25 4/10ths of a percent or less.

1 MODERATOR: No. No.

2 I am talking about the crude helium into the
3 pipeline.

4 COMMENT: Oh!

5 MODERATOR: The profits.

6 COMMENT: A billion cubic feet
7 of raw gas everyday; it was huge.

8 MODERATOR: But, its product came
9 out in the 78, 80 ranges, if I recall.

10 COMMENT: Not in that time
11 frame.

12 MODERATOR: Not in that time frame?
13 I may be thinking of one of the other plants.

14 COMMENT: But, that high 90%,
15 though, that was in the plant yard.

16 And your question talks about from the well
17 head.

18 MODERATOR: Right.

19 COMMENT: And I think the big
20 issue is going to be, as "....." said, the fuel consumed
21 in the future especially in the Hugoton Field to move
22 the gas.

23 And all of that fuel to move the gas will all
24 be burned prior to helium extraction. So, if it is 10%
25 fuel, there is going to be 10% helium loss.

1 That's before you get to the plant yard.

2 MODERATOR: Right.

3 COMMENT: So, I would

4 anticipate it would be higher than 8% in the future.

5 COMMENT: Yeah. In some places

6 right now it is higher, isn't it?

7 Because we pay greater than 8% fuel now due to

8 transmission problems.

9 MODERATOR: How will the impact of

10 the higher natural gas prices -- Will it have any kind

11 of impact on it, do you think?

12 COMMENT: I would say that

13 that would make the fuel greater because then everybody

14 is racing to install more compression.

15 Say what, now?

16 COMMENT: That would make your

17 fuel consumption greater for the short term because

18 everybody is wanting to install more compression.

19 MODERATOR: Uh-huh.

20 COMMENT: More compressors.

21 COMMENT: We have had that

22 question a lot, and we just say the engines don't burn

23 money.

24 (Laughter).

25 MODERATOR: Well, I was -- of

1 course, you can't do this in all locations, but, if
2 there was a thought for electric driven or something
3 like that, instead of natural gas, you know,
4 I understand.

5 COMMENT: You have to estimate
6 the electricity, though, "Tim."

7 MODERATOR: Well, electricity is
8 coal fire? I mean, its prices may not be changing as
9 much as the natural gas price. They are not totally
10 right.

11 COMMENT: But, you take a field like
12 Hugoton; you can't make (Inaudible).

13 MODERATOR: What?

14 COURT REPORTER: I can't hear you.

15 COMMENT: You can't take a
16 field like Hugoton -- Basically, you can't take a field
17 like Hugoton that compression has been put in over fifty
18 years and it all gas fired, and change it into
19 electricity overnight. Hugoton. That's great large big
20 field that was up there awhile ago.

21 MODERATOR: Yes, sir.

22 COMMENT: Just to expand on
23 that, typically the producer gives up some of their
24 production as fuel, and so, the gatherer transporter
25 isn't going to be very excited about converting to

1 electricity when he has had free gas in the past.

2 Now, of course, that could be negotiated, but

3 —

4 MODERATOR: Yes.

5 COMMENT: -- it would be

6 another barrier and wouldn't happen anytime soon.

7 MODERATOR: All right.

8 Yes, -sir.

9 COMMENT: Well, I am trying to
10 read between the lines here.

11 As a matter of policy, is the BLM trying to
12 encourage or discourage the development of the
13 additional reserve units?

14 I mean, are you trying to discourage outside
15 competition or trying to -

16 MODERATOR: "Outside?"

17 COMMENT: -- competition for
18 the reserves, or, are you trying to discourage that or
19 are you trying to --

20 MODERATOR: No.

21 I think I can answer that we are not in
22 the business to compete with private industry crude
23 reserves or crude helium or helium in general.

24 COMMENT: Okay. So, you are
25 not —

1 MODERATOR: I think it's fair to say
2 that.

3 That's why the Helium Privatization Act was
4 based specifically to get the government out of the
5 refined helium business. Okay?

6 COMMENT: Yes.

7 MODERATOR: Now, I think one can
8 assume that we were kept in the crude helium storage
9 business, in the transmission business, because of the
10 other refiners; there wasn't one that the other one
11 would like to see taken over.

12 COMMENT: Yes.

13 MODERATOR: So, you could argue
14 that's a proper role for the government to be in that
15 part of it, to basically hold a lot of helium in
16 reserve.

17 I mean, if you take the 30 billion cubic feet
18 that the government owns and you just use it for
19 government use, at 20 million cubic feet a year, you are
20 talking about many, many years of inventory.

21 Does a company buy that much inventory when it
22 is doing business? Of course not.

23 But, helium is of a strategic nature.

24 COMMENT: Yes.

25 MODERATOR: And I think that I don't

1 have any problem with saying that I think it was a good
2 thing that the administration and Congress did in 1960
3 in passing that act, because a lot of helium was stored
4 and saved for future use that otherwise would have been
5 gone many years ago.

6 COMMENT: Oh, yeah.

7 MODERATOR: And so, that is, I
8 think, a role that the government played in the helium
9 business.

10 But, in passage of the act, I think that it is
11 clear they didn't want to compete with private industry
12 where private industry can effectively do the job, which
13 they have done.

14 COMMENT: Okay.

15 MODERATOR: Yes,-sir.

16 MR. ART FRANCIS: I would like to make some
17 comments for a few minutes, if I could.

18 MODERATOR: Sure.
19 Come on up.

20 MR. FRANCIS: I am primarily talking out
21 of age.

22 (Laughter).

23 MR. FRANCIS: Because I am probably the
24 oldest in working in this industry. I started fifty
25 years ago.

1 And a couple of the questions that were
2 asked stimulate some thoughts.

3 One of these, which "Tim" was just talking
4 about -- "Tim" was just talking about one of the
5 questions is why was there a debt that had to be repaid?

6 And you can find the answer to that in the
7 congressional hearings in 1959 and 1960 when they were
8 contemplating the act.

9 And various companies that had potentially an
10 opportunity to generate helium from gasses that they
11 owned were asking the congressman, you know, "Are you
12 going to try to keep us out of the business?"

13 And the Congress said, "Absolutely not. We
14 want to encourage private industry."

15 So, we are going to require that the government
16 act in such a way that its price for helium will be
17 actually encouraging to private industry.

18 And that's why they set up, in the 1960 Act,
19 that over the time frame that helium operations people
20 had said, "This is how this process is going. For 20
21 years, we are going to accumulate helium, and then, we
22 will have enough that we can sell it for another 20
23 years."

24 And they said, "Okay. And that kind of time
25 frame, you have got to cover all of your costs. If you

1 have to borrow from The treasury to cover your costs
2 year-by-year, you are going to have to get the money
3 back to the Treasury by the allotted time."

4 Well, things changed and this couldn't happen
5 in that kind of time frame. But, that requirement of
6 the 1960 Act was continued.

7 And when the Congress contemplated the
8 Privatization Act, one of the things that the industry
9 talked about to them at that time was, "We want to make
10 sure that under no circumstance, do you price this,
11 helium at a level such that it would discourage anybody
12 from extracting helium from natural gas."

13 And that was one of the things that came in the
14 hearings that Congress held in 1995, 1996 leading up to
15 the Privatization Act.

16 So, the concept had been since 1960, and
17 reinforced every ten or fifteen years by some other
18 action, that this stored material is not designed to
19 compete with potentials for extracting helium from
20 current natural gas, or, some new source of natural gas
21 that may come along.

22 Quite the opposite, the whole intent is to
23 encourage just exactly that.

24 So, if the price seems high to people, I would
25 like to pose a little something, because I have got a

1 couple of more comments here.

2 I don't know whether any of you have, in recent
3 days, gone to a florist shop and bought a balloon, but
4 if you go buy a balloon that says, "Happy Birthday," or,
5 "Get Well Quick," or, you know, "Just Married," or
6 something like that, you are likely to pay -- Certainly
7 in my area of the "neck of the woods," you are going to
8 pay three or four dollars for that balloon.

9 Guess what? It has one cubic foot of helium in
10 it. And you know, selling at this exorbitant price that
11 the government charges, that one cubic foot of helium is
12 five cents worth.

13 Well, I think this is very important for people
14 to recognize. Not because we are making helium
15 available for balloons; I am glad we do. They make joy
16 in the world. And that's a very good thing.

17 But, rather, that that kind of a ratio exists
18 throughout the helium-using consumers, and in the big
19 industrial plants, in all sorts of ways.

20 You contemplate an MRI machine; it buys liquid
21 helium five or six times a year.

22 The MRI machine is going to generate I know
23 when I went for an MRI, it cost me eight hundred bucks,
24 and they did ten or twelve of those a day.

25 Think about that. Eight, ten thousand dollars

1 a day. The amount of helium, that they bought, this is
2 now a liquid helium delivered to them, cost them about
3 twenty-five, thirty thousand dollars a year.

4 So, there is a consistency in the use pattern
5 that the value of the end production, the helium
6 dependent technologies producing goods and services,
7 producing joy to little boys, producing MRIs for our
8 health benefits, for fiber, optical fibers, -so we can
9 run the Internet, any of those things, the multiple from
10 the value of the helium to the value of the helium
11 dependent goods and services, is anywhere from one
12 hundred to a thousand-fold difference.

13 Now, that is pretty darn significant, because
14 "Tim" was saying that the billion cubic feet came out of
15 storage in calendar 2000.

16 And if you think about that relationship, if
17 the end use product is five dollars a cubic foot, you
18 know, what you pay for the balloon, and we used a
19 billion feet, that means that you are talking about that
20 process taking the helium out of storage and supporting
21 the market.

22 And it is supporting five billion dollars worth
23 of goods and services that wouldn't exist if that
24 storage program didn't exist.

25 Because there wasn't anyplace else to get it.

1 Every other source of helium, in the year 2000,-was
2 being utilized up to its ability, but it couldn't make
3 the grade. It couldn't meet the demand.

4 In order to meet the demand, "Tim" had to move
5 a billion feet out of his storage system up the pipeline
6 and get it refined.

7 And that's what supported a minimum of five
8 billion dollars worth of goods and services. I think
9 this is very important to recognize that.

10 And these are the only comments I want to make
11 right at the present time, is that No. 1, there is a
12 very long history and a very good economic drive that
13 stored helium should never be used to replace -- to take
14 over a market that could be satisfied from extracted
15 helium, but, that the extraction is the primary source.

16 And that stored helium is used only to
17 supplement extracted helium when you can't extract
18 enough.

19 And this past year demonstrated that just as
20 "Tim" has told us. And that has happened before.

21 In the 1980s, we had two instances. It doesn't
22 destroy what "Tim" said, but, on two different
23 occasions, a billion feet of helium came out of storage
24 in an 18-month time period or something.

25 Once because of a disturbance in the pricing of

1 natural gas, and another time because we had an
2 extremely warm winter in the areas that the gas
3 pipelines feed,-so, that they practically had no winter
4 sales at all.

5 And in both cases, the market had to be
6 supported by drawing out of storage.

7 And if you consider these things, and something
8 similar happened in those days, somewhat similar kinds
9 of economics, this program that we put down on paper and
10 we consider, "Well, it costs 1 1/2 billion dollars."

11 And that's how big the data is, and so
12 everybody gets worried about this. It has been paid for
13 on three different occasions, the whole darn thing has
14 been paid for.

15 Fifteen billion dollars worth of goods and
16 services have already been created essentially
17 exclusively by withdrawal of helium from the storage
18 field during periods of time when extraction could not
19 meet the test.

20 And that means, you know, we have already
21 gotten that for the people of the United States of
22 America, that's the thing. I mean, that's what our
23 government functions for. The people of the United
24 States have gotten from just these three instances.

25 Actually the program is much bigger than that,

1 natural gas, and another time because we had an
2 extremely warm winter in the areas that the gas
3 pipelines feed, so, that they practically had no winter
4 sales at all.

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18 field during periods of time when extraction could not
19 meet the test.

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21 gotten that for the people of the United States of
22 America, that's the thing. I mean, that's what our
23 government functions for. The people of the United
24 States have gotten from just these three instances.

25 Actually the program is much bigger than that,

1 but in those three instances, they have got 15 billion
2 dollars worth of goods and services they would not have
3 had if the storage didn't exist.

4 So, I just have a couple of things.

5 You want to make sure that we extract all of
6 the helium that we possibly can in preference to using
7 it out of storage.

8 When we do need to use it out of storage, the
9 value is there. And fifty dollars a thousand? Don't
10 worry about it. I mean, you know, certainly you are
11 going to sell balloons if it cost fifty dollars for a
12 thousand. If it cost one hundred dollars a thousand, you
13 are still going to sell balloons to little children that
14 are having a birthday party.

15 And the same thing is true for the other end
16 users. And this is a commodity that people use very
17 sparingly.

18 They only use a little bit of it to make big
19 products and they always want to buy it as cheaply as
20 they possibly can.

21 But, believe me, they can afford something more
22 than what we are paying today. So, I mean, I just don't
23 want people to worry about these things.

24 That's all I want to say. Thanks a lot.

25 MODERATOR: Thanks, Art.

1

2 MODERATOR: Let's go ahead and take
3 a ten-minute break.

4 And for those of you who have heard enough and
5 want to go, you can go. Or if not, we can come back and
6 you might have a chance to look at that and talk amongst
7 ourselves and think of something you might want to say.

8 Again, it is not so much if you have a
9 question, we may not answer it, but, at least get it on
10 the record, because the notes from this meeting, from
11 all the five meetings, plus any comments that are sent
12 in, that's the basis for the database that we are going
13 to start from when we start to go through these records.

14 So, let's take a quick ten minutes, and we will
15 start back up at that point if there is some interest in
16 it.

17 (Break).

1 MODERATOR: Well, after we had a
2 chance to talk there, keep in mind that the comments
3 that are being sent in and the transcripts from all
4 these meetings, once the meetings are completed, all
5 five, they will be posted up on the Internet.

6 So, if you are interested in what happens in
7 some of the other meetings, that will be available for
8 people as part of the public record. So, just keep that
9 in mind.

10 RESPONSE: Just to give you an idea,
11 the earliest we will have the information, from each
12 meeting, is about seven to ten business days, and that's
13 about the time frame we will be getting the
14 transcriptions back.

15 So, allow another few days for Webmaster to get
16 them posted.

17 So, it will probably be about a two-week delay
18 after each meeting.

19 MODERATOR: Are we going to put them
20 in after each meeting or all the meetings?

21 RESPONSE: We can put them in after,
22 probably, each meeting. It might be easier for him. We
23 haven't really discussed that part, but that's what

24 MODERATOR: Since they are all
25 pretty closely grouped together, it may be –

1 RESPONSE: We'll probably get them
2 pretty much the same time, yeah.

3 RESPONSE: But, there may have been a
4 time delay in that, too, because we can only post them
5 after they have come back to us from Washington.

6 MODERATOR: Yeah.

7 RESPONSE: Right.

8 RESPONSE: The same as
9 "Tim."

10 RESPONSE: Right.

11 MODERATOR: And in this
12 presentation, we are also intending to go put that up on
13 the Internet where you can click on it like folding
14 back, just kind of like what I did here, if you are
15 interested.

16 Anything else?

17 (No response).

18 MODERATOR: Well, I guess we will
19 just go ahead and close it down.

20 We are not expecting any more people. I wasn't
21 sure, but, if we had anybody else coming, they would
22 probably be here by now.

23 So, I thank you very much for your
24 participation. We appreciate you coming by.

25 Again, I want to encourage you, if you do have

1 some thoughts when you get back to the office and talk
2 about it or something comes up, that E-Mail address is
3 available there, and I encourage you to do that.

4 Otherwise, thank you very much.

5 (Meeting was over at 8:00 p.m.)